



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

February 6, 2013

Fiscal Year 2012 Financial Testing Compliance Oversight Business Mail Entry Unit/Staged Detached Mail Unit Reviews

Report Number FT-MA-13-006

BACKGROUND:

The Postal Accountability and Enhancement Act of 2006 required the U.S. Postal Service to comply with Section 404 of the Sarbanes-Oxley Act and report on the effectiveness of the agency's key internal controls over financial reporting. The Postal Service established the Financial Testing Compliance group to test these key financial controls at postal units.

This report addresses key financial control testing at business mail entry units and detached mail units operating in a staged environment. Business mail entry units process bulk business mail. Detached mail units are Postal Service work areas or offices located in a business mailer's facility. In a staged detached mail unit environment, employees finalize and stage a single mail run and attach the associated postage statement for acceptance and verification.

Our objective was to evaluate whether the Postal Service properly tested, documented, and reported their examination of key financial reporting controls for mail verification and acceptance at business mail entry and staged detached mail units.

We conducted this review in support of the independent public accounting firm's reliance on management's testing and overall audit opinions on the Postal

Service's financial statements and internal controls over financial reporting.

WHAT THE OIG FOUND:

We observed testing at 27 of 219 sampled sites. We found that analysts did not properly test, document, and report their examination of key financial reporting controls for mail verification and acceptance at three of the 27 sites observed. Specifically, analysts did not test postage statement completeness at one site and did not accurately document work performed at two sites. These errors occurred because data collectors and managers did not provide adequate oversight and review. The risk of not identifying, correcting, or reporting internal control deficiencies increases when analysts do not test key controls or accurately document work performed.

WHAT THE OIG RECOMMENDED:

We did not make recommendations in this report but provided our observations to the independent public accounting firm and Postal Service management throughout the year. Management took corrective action by testing the missed control and corrected documentation to correctly report work performed. The firm used the information to support its opinions on the fiscal year 2012 Postal Service financial statements and controls over financial reporting.